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# AGRICULTURAL OUTLOOK CANADA

1968

CANADA DEPARTMENT OF AGRICULTURE

Information Division  
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This summary was prepared from outlook papers developed by inter-departmental committees of the federal government. The papers were sent to all provincial departments of agriculture for review and were presented at the Agricultural Outlook Conference held in Ottawa on November 27 and 28, 1967.

# ECONOMIC PROSPECTS

The year 1967 was characterized by a general weakening of the forces contributing to expansion in the world economy. World trade slowed down.

The prospect for renewed economic expansion in 1968 appears favorable. The trend towards stronger demand and production emerging in the United States and probably in Britain and West Germany, together with the expanding economies of Japan and Italy, may generate sufficient momentum to strengthen the world economy.

Canadian economic activity will probably increase again in 1968. Government expenditure will continue at a high level and consumer demands, particularly for housing, are also likely to increase.

Canadian exports are expected to remain firm. The results of the Kennedy Round negotiations on tariffs and trade, the new International Grains Arrangement, and a new anti-dumping code, together with an indication of a general economic recovery in the offing, should provide a favorable environment for Canada's exports.

Although Canadian farm production in 1967 declined by 10 to 15 percent, farm cash receipts from the sale of farm products should reach a new high of \$4.4 billion for the year. Total cash receipts from farming are expected to be still higher in 1968.

Prices of production inputs in agriculture continued to move upward in 1967 and further rises are forecast for 1968.

Expenditures for the purchase of farm machinery and equipment are expected to be about \$750 million in 1967, as compared with \$731 million in 1966. Total farm capital, as represented by real estate, machinery and livestock, totalled \$19,166 million in 1966, an increase of nearly 11 percent over 1965.



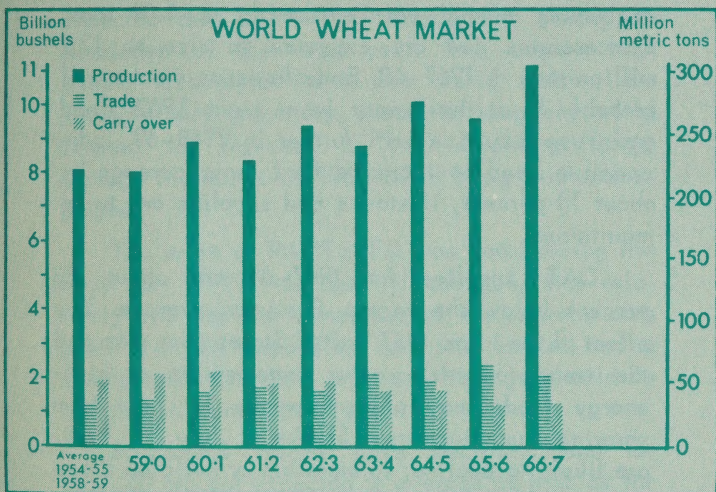
There was a pause in 1967 in the long-term downward trend in the agricultural labor force. However, further declines are expected as productivity continues to rise. Wage rates in 1967 were about \$26 per month higher than those of 1966.

## WHEAT and RYE

Present indications are for a decline in the 1967-68 world WHEAT harvest. Production is up in Western Europe and the developing countries. Although the U.S.S.R. had a good crop in 1967, it was 20 percent smaller than in 1966. In other Eastern European countries, production was slightly higher than in 1966, and an improvement is reported in Mainland China. In the major exporting countries taken together, production is down slightly. Production in the United States was well above that of 1966, but Canadian production was down and indications are that the Southern Hemisphere will harvest smaller crops.

With large harvests in many importing countries, world trade in wheat slowed down at the beginning of the 1967-68 season and may total only 1.8 billion bushels - 10 percent less than a year earlier. Global supplies available for export are more than adequate and stocks at the end of the present crop year will rise slightly. Prices, which are now lower than a year ago, are expected to be maintained in the lower part of the new International Grains Agreement range for the remainder of the current season.

Canadian wheat exports to developed countries have been slow, and sales in 1967-68 may be down from 1966-67. Exports to developing countries will be substantially lower. This year, Communist countries have not increased purchases beyond their minimum contract level. Depending on the level of shipments to Mainland China, exports may be in the range of 350 to 400 million bushels.



With this level of exports, and domestic disappearance at 155 million bushels, stocks will rise to between 615 and 665 million bushels. Under average conditions, a smaller acreage than in 1967 could produce all supplies needed to meet anticipated demand in 1968-69.

The 1967 RYE crop was lower by 22 percent than last year. Exports in 1967-68 may not reach the 1966-67 level, but with a steady rise in domestic consumption, stocks will fall again at the end of the season. Some increase in rye acreage seems justified and, with average yields, a total of 850,000 acres, as compared with the 1967 figure of 758,000 acres, should be adequate.

## FEED GRAINS

Concentrates fed in Canada, including grains, reached an all-time high of 17.2 million short tons in 1966-67, with the average intake per grain-

consuming animal unit amounting to 1.04 tons. Concentrates fed are expected to rise to 17.7 million tons in 1967-68. End-of-season stocks will probably be at the lowest level since 1962. Feed grain use may rise still further in 1968-69, indicating a need to increase feed grain acreage by about 10 percent, if stocks and supplies are to be maintained.

OAT supplies for 1967-68 are about 20 percent below the recent five-year average. The effect of the large 1967 United States corn crop and the trend towards greater consumption of high-energy feeds may prevent prices for oats from showing much increase. Stocks at July 31, 1968, are likely to decline; to maintain or build up these stocks, additional acreage of oats will be required.

BARLEY production in 1967 declined 17 percent from 1966 on a larger acreage, but with good carryover stocks supplies are down only 5 percent and are still above average. Barley feeding increased considerably in 1967 and so did exports. Prices were lower in 1967 than a year earlier and will probably continue below the 1966 level because of competition from alternative feed grains. With barley yields rising faster than those of oats, a larger increase in the acreage to barley than to oats in 1968 would seem justified.

Production of CORN for grain reached a new high in Canada in 1967. Although the record United States corn and sorghum crops are influencing Canadian corn prices, the continued trend to increased meat consumption and the growth in feedlot operations justify further steady increases in corn acreage in Canada.

## OILSEED CROPS

Early in the 1967-68 crop year, the price of FLAXSEED increased substantially, and it is



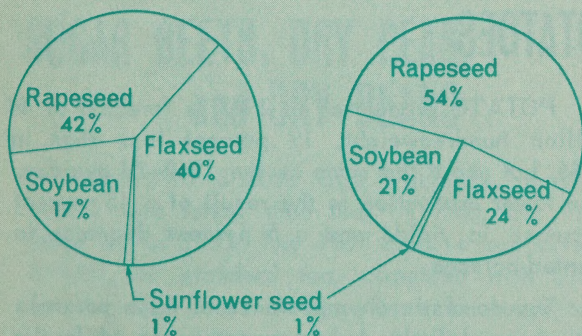
expected that prices will remain firm during the remainder of the crop year. The current high prices, associated with low world stocks, are probably only temporary, since the long-term world demand for flaxseed is still declining. Large acreage increases in 1968 could bring much lower prices.

The price of RAPESEED was down during the early part of 1967-68 and will probably stay relatively low for the remainder of the current crop year. With an expanding domestic market and a steady export market, rapeseed acreage should be maintained or increased slightly.

SOYBEAN prices have declined, and for 1967-68 are not expected to average as high as for the previous crop year. The markets for soybean oil and meal are expected to be under strong pressure from the large supplies of both soybeans and competing products. Current world market prospects do not warrant a substantial increase in soybean acreage.

**OILSEED PRODUCTION**  
in Canada

1966-67	1967-68
3,103 million lbs.	2,432 million lbs.



The market and price prospects for SUNFLOWER SEED remain good. It is difficult to incorporate this crop into farm production programs, but some increase in production would seem worthwhile.

## APPLES

In 1967, a record crop of almost 25 million bushels of APPLES was harvested – 18 percent more than a year earlier, and 8 percent above the previous record of 23 million bushels produced in 1963. The increases came mainly from Quebec, where a new production record was established, and Nova Scotia.

It seems likely that a larger volume of apples will be moved into fresh consumption in Canada in 1967–68, but at lower prices than the previous year. Exports may increase, especially to the United Kingdom where the import quota for 1967 has been increased. Processing apples will probably continue to move from Quebec and Nova Scotia to the United States.

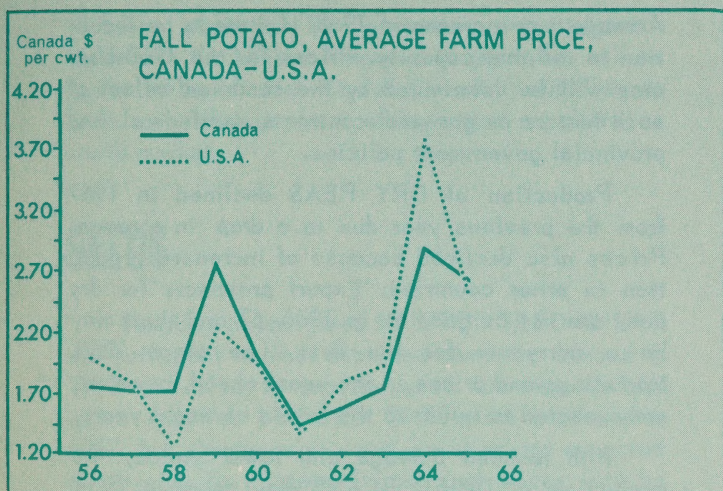
Domestic consumption of apples in processed form – juice, frozen and solid pack – will increase again in 1967–68, but stocks of some products are still large.

## POTATOES

POTATO production in 1967 is forecast at 44 million hundredweight, 19 percent less than in 1966, but about the same as the 1960–64 average. The lower production is the result of a 15 percent decrease in yields and a 5 percent decrease in planted acreage.

The domestic disappearance of fresh potatoes has changed little during recent years while the





production of processed potato products has increased.

Potato prices may be somewhat higher in 1967-68 than a year ago. Prospects are good for continued export sales of frozen French fried potatoes to Britain. However, the overall situation for domestic and export demand does not warrant expansion in the potato industry, and, on the basis of average yields, maintenance of higher prices will require a smaller acreage in 1968.

## **SUGAR BEETS, DRY PEAS, and DRY BEANS**

The 1967 SUGAR BEET acreage, at 84,600 acres, was larger than that of 1966, but not as large as in 1965. The 1967 crop is supported at \$15.50 per standard ton, compared with \$14.35 for the 1966 crop. Market prices for sugar continued at or near record low levels during 1967.

Acreage may increase in 1968, if there is no reduction in refining capacity. Prices for the 1968 beet crop will be determined by the combined effect of such factors as growers' contracts and federal and provincial government policies.

Production of DRY PEAS declined in 1967 from the previous year due to a drop in acreage. Prices also declined because of increased production in other countries. Export prospects for dry peas are not as good as in 1966-67 and there may be a carryover for the first time since 1965. Marketings and prices in the years ahead, however, are expected to return to the levels of recent years.

With reduced acreage and lower yields, the production of DRIED BEANS was down in 1967. Export prices to growers are expected to be higher than in 1966-67, but the lower production will restrict supplies available for export. Expanding demand will continue to call for some increase in production in 1968.

## TOBACCO

The TOBACCO acreage was 140,500 acres in 1967, an increase of 8 percent over 1966. The acreage of flue-cured tobacco, the prominent type, was up 11,100 acres from 1966, due to the increased acreage allotment by the Ontario producers' marketing board. The 1967 flue-cured crop is forecast at 219 million pounds, green weight, compared with the record crop of 223.7 million pounds in 1966. Quality of the 1967 crop is excellent.

Domestic consumption of flue-cured tobacco is expected to increase annually by about three million pounds, redried weight, for the next two or three years. The current situation indicates that a minimum production of 226 million pounds, green weight, of flue-cured tobacco will be needed in 1968 to meet domestic requirements and to maintain exports at the present level.



The potential for increasing exports, particularly to the United Kingdom, is good, but will be governed by availability of Canadian supplies as well as offerings from other major suppliers on world markets.

## SEEDS

Supplies of pedigreed MANITOU SEED WHEAT are sufficient to meet expected domestic demand in 1968 and also to provide seed for export. Adequate supplies of SEED OATS were produced in 1967, but shortages of some varieties are expected to develop in Eastern Canada and prices may be somewhat higher than in 1967.

No seed shortage of any of the principal BARLEY varieties is expected, but prices may be slightly higher.

No shortages of FORAGE SEEDS are foreseen in the 1968 planting season. Retail prices for timothy and a number of other seeds may be lower than in 1967 and higher for alfalfa, double-cut red clover, brome grass and bird's foot trefoil. With a few exceptions, the outlook for the production of forage seeds is not bright because of low prices and declining export markets.

The overall acreage for seed production may need to be reduced still further in 1968.

## LIVESTOCK and MEAT

Weekly HOG gradings in Canada for the first nine months of 1967 averaged 21 percent higher than during the same period a year earlier and, except for 1959, were the heaviest for 23 years. Average prices for hogs in Canada in 1967 were below 1966 levels. Prospective hog slaughter in both Canada and the United States in 1968 will

average below the high levels of 1967. Prices in Canada are not likely to show any sizeable rise before the fall of 1968.

CATTLE slaughterings in Canada to the end of September 1967 were down 1.5 percent from the same period in 1966. Exports of feeder cattle to the United States for the first nine months of 1967 were down 111,000 head, or 73 percent, from the same period in 1966. Fed cattle prices in Canada in 1967 averaged higher than during the previous year and were above levels of fed cattle in the United States. The price of choice steers at Toronto in September averaged \$30.50 per 100 pounds – the highest level since 1952. The increased demand in Canada for beef was strengthened by Centennial celebrations.

Fed cattle marketings in Canada in 1968 may be about the same, or slightly above, those of 1967, and prices are expected to remain above the export equivalent price in the United States.

CALF slaughter for 1968 is expected to be slightly below 1967 levels, with prices slightly stronger.

SHEEP slaughter for 1968 may be about the same as in 1967. Prices may be slightly higher.

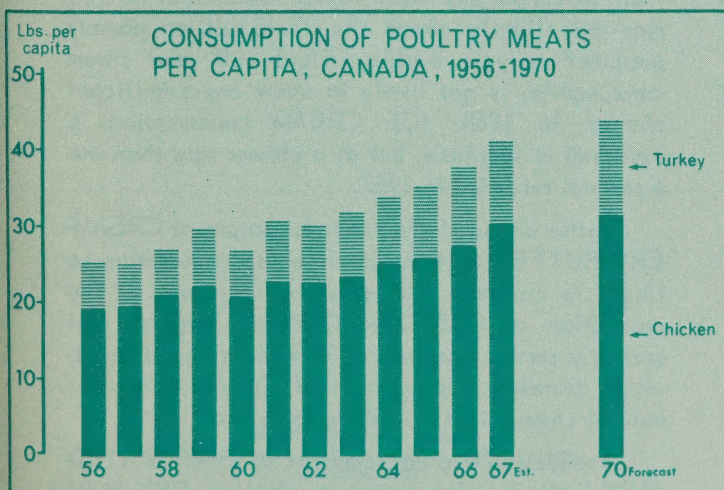
## POULTRY MEAT and EGGS

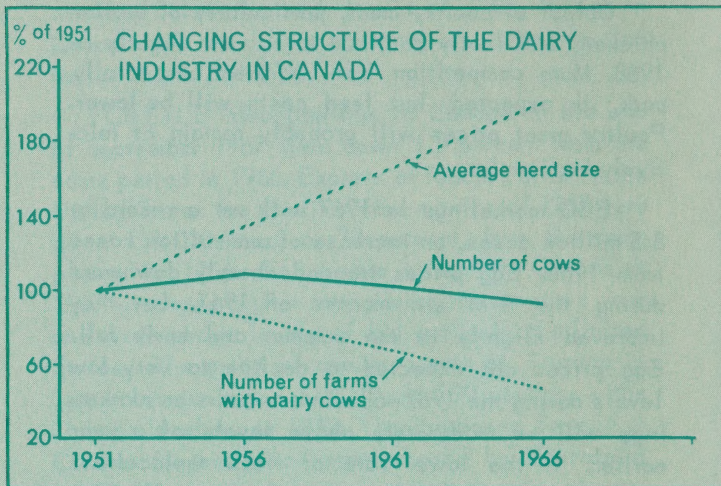
Production of POULTRY MEAT was up again in 1967, but by a smaller amount than the average increase of recent years. Most of the expansion occurred during the first half of 1967, because of increased production of broiler chickens and turkeys. Broiler chicken output in 1967 increased 9 percent over the previous year. Broiler turkey marketings set another record high, but output of heavy turkeys was down slightly. Prices for poultry meat during the first half of the year trended downward.



Output of poultry meat, particularly of broiler chicken, will likely continue to expand slightly in 1968. More competition from red meat, especially pork, is expected, but feed costs will be lower. Poultry meat prices will probably remain at relatively low levels.

EGG marketings in 1967 will set a record at 8.5 million cases, an increase of one million cases from 1966. Egg prices trended sharply downward during the first six months of 1967, but they improved slightly in the summer and early fall. Egg prices are expected to decline to very low levels during the 1967-68 winter months as marketings will be moderately above levels of a year earlier. If the lower rate of flock replacement continues as expected, egg marketings will drop below 1967 levels by late summer. Prices then will likely rise more than is normal for the season.





## DAIRY PRODUCTS

MILK production, which fluctuated very little during the period 1961–66, was maintained in 1967 at almost the same level. Production in 1968 may be slightly above the 18.15 billion pounds produced a year earlier. Fluid milk and cream consumption is not likely to show any significant change in 1968. ICE CREAM consumption is expected to increase, but at a slower rate than the 6 percent recorded in 1967.

Little change is forecast for output of CREAMERY BUTTER, but the decline in consumption is likely to continue. No gains are foreseen in the production of CHEDDAR CHEESE; exports will probably remain around the 30 million pound level, while domestic consumption of cheddar and other natural cheese is expected to increase.

Production and consumption of EVAPORATED WHOLE MILK will continue to decline. DRY SKIM



MILK production is forecast to exceed the 1967 peak and may reach 325 million pounds, making available larger supplies for commercial and food aid exports.

The federal support for the 1967-68 dairy year includes a gross subsidy to manufacturing milk producers of \$1.21 per 100 pounds of milk and an equivalent subsidy to cream producers. The Canadian Dairy Commission is developing programs designed to rationalize the industry.



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